

Message Text

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ACTION ITC-01

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TO SECSTATE WASHDC PRIORITY 318

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E.O. 11652: NA
TAGS: ETRD, KS
SUBJECT: KOREAN WATCH INDUSTRY (USITC)

REF: A. STATE 18602 B. 76 SEOUL A-204

SUMMARY: THIS TELEGRAM UPDATES PREVIOUSLY REPORTED INFORMATION ON BOTH CONVENTIONAL AND NON-CONVENTIONAL KOREAN WATCH PRODUCTION AS REQUESTED REFTEL A. AS REPORTED REF. B, INDUSTRY CAN BE CATEGORIZED AS AN ASSEMBLY OPERATION USING IMPORTED COMPONENTS AND PARTS WITH LOCALLY PRODUCED CASES AND DIALS. DURING 1977, THE NUMBER OF CONVENTIONAL WATCH MANUFACTURERS INCREASED FROM 35 TO 45, EMPLOYMENT GREW FROM ABOUT 3,600 TO 7,000 PERSONS AND TOTAL PRODUCTION AND EXPORTS INCREASED BY ABOUT ONE-THIRD. EXPORT/IMPORT PATTERNS REMAIN UNCHANGED. AS IN PREVIOUS YEARS, THERE WERE NO EXPORTS OF CONVENTIONAL WATCHES TO THE U.S. IN 1977. IN CONTRAST, THE NON-CONVENTIONAL WATCH INDUSTRY ENCOUNTERED SEVERE INTERNATIONAL PRICE AND TECHNOLOGY COMPETITION WHICH LED TO A 53 PERCENT DECLINE IN EXPORT VALUE DESPITE A 14 PERCENT INCREASE IN EXPORT QUANTITY OVER 1976. AVERAGE EXPORT UNIT PRICE FOR THE YEAR DROPPED DRASTICALLY FROM \$17 TO \$7. ALTHOUGH 3 TO 4 SMALL AND MEDIUM FIRMS DROPPED OUT OF THE INDUSTRY DUE TO THE FINANCIAL DIFFICULTIES, FIVE LARGE ELECTRONIC FIRMS (INCLUDING UNCLASSIFIED

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GOLD STAR AND FAIRCHILD) ENTERED INTO ELECTRONIC WATCH AND MODULE ASSEMBLY IN 1977. PRODUCTION OF MODULES CONTINUED ITS UPWARD TREND, BUT THE RATE OF INCREASE WAS SUBSTANTIALLY LOWER THAN IN 1976. NO STATISTICS ARE AVAILABLE FOR EMPLOYMENT SOLELY IN NON-CONVENTIONAL WATCH MANUFACTURE BECAUSE ASSEMBLY NOT EXCLUSIVE AND IS INTERCHANGEABLE WITH THAT OF OTHER ELECTRONIC PRODUCTS.

IMPORT DATA REQUESTED FOR COMPONENTS AND PARTS OF ELECTRONIC WATCHES WILL NOT BECOME AVAILABLE UNTIL THE END OF APRIL AFTER WHICH AIRGRAM REPORT WILL BE PREPARED.
END SUMMARY.

A. CONVENTIONAL:

1. PRODUCTION: 1977 PRODUCTION OF WATCHES WAS 3.4 MILLION (PLUS 36 PERCENT) VALUED AT \$46.2 MILLION (PLUS 52 PERCENT). MOVEMENTS AMOUNTED TO 3.246 MILLION (PLUS 16 PERCENT) VALUED AT \$8.9 MILLION (PLUS 5 PERCENT). CASES AND DIALS AMOUNTED TO 2.45 MILLION (PLUS 7 PERCENT) VALUED AT \$5.975 MILLION (-20 PERCENT). OVER 55 PCT OF WATCHES, CASES AND DIALS WERE ABSORBED BY THE DOMESTIC MARKET.
2. EXPORTS: EXPORT PATTERNS IN 1977 WERE THE SAME AS IN PREVIOUS REPORT. THERE WAS NO KOREAN EXPORT OF CONVENTIONAL WATCHES OR MOVEMENTS TO THE U.S. AND ONLY NEGLIGIBLE EXPORTS OF CASES AND DIALS (\$14,000).
3. IMPORTS: IMPORTS OF COMPONENTS AND PARTS ARE MAINLY FROM FRANCE (32 PERCENT), 10 PERCENT FROM SWITZERLAND (10 PERCENT), AND FRG (8 PERCENT). TOTAL IMPORTS OF 1977 AMOUNTED TO \$12.6 MILLION FOR AN INCREASE OF 43.2 PERCENT OVER 1976.
4. SIZE AND NUMBER OF FIRMS: DURING REPORTING PERIOD, THE INDUSTRY INCREASED FROM APPROXIMATELY 35 TO 45 FIRMS. THERE WERE APPROXIMATELY 7,000 EMPLOYEES AS OF THE END OF 1977 REPRESENTING AN INCREASE OF 2,400 WORKERS OVER THE END OF JUNE 1976. ALMOST 50 PERCENT OF THE INCREASED EMPLOYMENT WAS BY ORIENT WATCH IND. CO. WHICH

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ENTERED THE MANUFACTURE OF NON-CONVENTIONAL WATCHES DURING 1977. AMONG THE 10 ENTERING FIRMS WHICH EMPLOYED MORE THAN 100 WORKERS ARE ZION PRECISION, DAE DO, MONTRESS, AND DONG SUNG PRECISION. INCLUDING NEW ENTRANTS, 16 FIRMS EMPLOYED MORE THAN 100 WORKERS AND 29 SMALL FIRMS EMPLOYED NEARLY 1,500 WORKERS IN ESTABLISHMENTS OF 4 TO 99 EMPLOYEES.

B. NON-CONVENTIONAL (ELECTRONICS): SEVERE INTERNATIONAL PRICE AND TECHNOLOGY COMPETITION IN 1977 PRODUCED A DROP IN THE AVERAGE PRICES FOR NON-CONVENTIONAL WATCHES FROM \$17 TO \$7 WHILE MODULE PRICES REMAINED AT ALMOST THE SAME LEVEL AS 1976.

1. PRODUCTION: PRODUCTION OF WATCHES INCREASED TO 2.199 MILLION (14 PERCENT), BUT FALLING PRICES REDUCED EXPORT VALUES FROM \$32 MILLION TO \$15 MILLION (MINUS 52 PERCENT). MODULE PRODUCTION INCREASED TO 3.048 MILLION (40 PERCENT) VALUED AT \$17.739 MILLION (20 PERCENT).
2. EXPORTS: TOTAL EXPORTS OF WATCHES AND MODULES WERE \$24 MILLION IN 1977 FOR A 43 PERCENT DECREASE FROM 1976. EXPORTS OF WATCHES AND MODULES TO THE U.S. TOTALLED \$15 MILLION FOR A 36 PERCENT DECREASE IN VALUE.

3. IMPORTS: COMPLETE IMPORT DATA FOR ALL OF 1976 AS WELL AS 1977 IS NOT AVAILABLE AT PRESENT. CUSTOMS TRADE DATA ARE CLASSIFIED IN BASKET CATEGORIES OF ELECTRONIC COMPONENTS AND PARTS FOR ALL INDUSTRY. TOTALS BY COUNTRY OF ORIGIN WILL BE AVAILABLE AT THE END OF APRIL. BUT, THE ASSOCIATION SOURCES SAID THAT NO ADDITIONAL DOMESTIC COMPONENTS OR PARTS WERE INTRODUCED IN 1977, THEREFORE THE U.S. MARKET SHARE WOULD BE UNCHANGED FROM THE PREVIOUS REPORT. EMBASSY WILL FORWARD AIRGRAM REPORT WHEN IMPORT DATA BECOMES AVAILABLE.

4. SIZE AND NUMBER OF FIRMS: AS OF END OF 1977, THERE WERE 16 FIRMS ASSEMBLING MODULES AND WATCHES SIDE BY SIDE WITH OTHER ELECTRONIC PRODUCTS. IT IS VERY DIFFICULT TO ESTIMATE THE NUMBER OF EMPLOYEES AND SIZE

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OF FIRMS ATTRIBUTABLE SOLELY TO WATCH PRODUCTION. SHIN YEOUNG, BANDO AND KTK TERMINATED WATCH ASSEMBLY OPERATIONS AND KOREA MICROSYSTEMS PRODUCED ONLY 10 WATCHES DURING 1977. HOWEVER, FIVE LARGE ELECTRONIC MAKERS ENTERED INTO PRODUCTION OF WATCHES AND MODULES. THEY ARE GOLD STAR, KUM HO, ORIENT, (THE LARGEST MAKER OF CONVENTIONAL WATCHES) SAMDO, FAIRCHILD SEMICONDUCTOR (KOREA) LTD. SNEIDER

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